

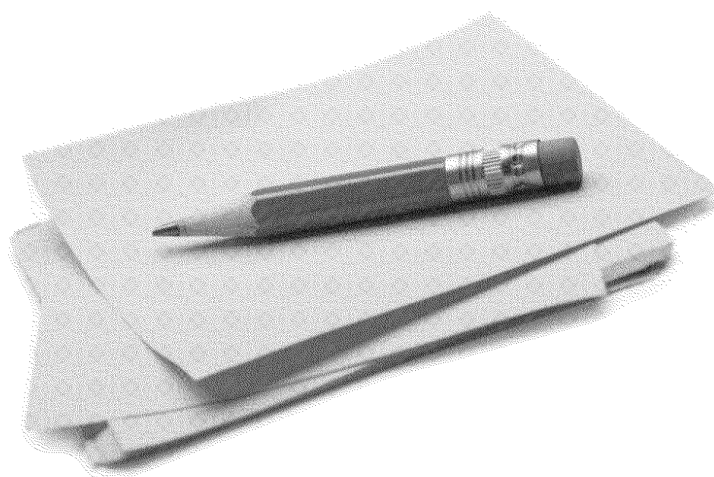


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# HNG-X: Review of Assurance Sources

## Board Update

As at 16/5/14, subject to completion of our interim report on 23<sup>rd</sup> May 2014 and our final report on 23<sup>rd</sup> May 2014



# Board Update at 16/5/14

## Introduction

Our final report, to be issued on 23<sup>rd</sup> May 2014, will contain further details on our approach, the matters we have identified and those actions we recommend management consider which could provide further, evidenced-based assurance to the Board.

In this document we use the term “Horizon Features”. This is a technical term referring to those features of the system which provide that:

- movements in Branch ledgers have the full ownership and visibility of sub-postmasters; and
- audit trails kept by the system are complete and accurate.

## Key Findings

Following the completion of our desktop review of documentation, supplemented by verbal discussions, our key findings are that:

- Nothing has come to our attention to suggest any deficiencies of significance in the design of the Horizon Features.
- The implementation in 2010 of HNG-X did not impact the Horizon Features.
- Key day to day IT management activities are generally controlled and (since 2012) independently tested to recognised assurance standards.
- Substantial Horizon-related system documentation exists, comparable to that typically seen in similar organisations where IT activities are complex and formal assurance activities are not mandated. Some organisations are externally mandated to have a greater level of end to end, risk orientated documentation and testing: in particular, financial services. Post Office is not so mandated.
- As with comparable organisations, Post Office relies in many areas on the Horizon Features operating as described. Further assurance could be obtained by performing risk based testing of the Horizon Features and fully documenting system usage.
- Documentation has not yet been located which relates to pre 2010 to provide assurance that the system was originally built and tested to specific business requirements.

## Areas of Assessment

We assessed three main areas where we would expect assurance sources to be available, namely system “Baseline”, “Provision” and “Usage” (as outlined below), and considered the questions in Appendix 1.

Our work was performed in the context of activities we see in other, similar non-regulated organisations. Our work has been performed as a desktop review and thus has not tested the quality or accuracy of any of the assertions made in documentation provided to us.

### 1. Assurance over the system baseline

#### Purpose:

This assurance aims to provide comfort that the original Horizon implementation and other changes performed under formal projects were conducted in line with good project management practices and that detailed testing was performed against agreed business requirements. Such activity would verify that the system was, at that point in time, fit for purpose and implemented as intended.

#### Comments:

The documentation assessed shows that the 2010 HNG-X project was delivered in line with Royal Mail's “Harmony” Project Governance Methodology and that Wipro (an external consultancy) provided independent assurance that this Project's approach to performance testing was robust. Such project governance activities are comparable to that which we would expect to see in similar, non-regulated organisations. Documentation could not be supplied which provides more direct comfort, at implementation, over Horizon Features.

We note that Fujitsu were planning independent work in early 2012, but did not progress the review following POL's appointment of Second Sight. Some of the preparatory work for this review has assisted us in our assessment.

### 2. Assurance over the system provision

#### Purpose:

This assurance aims to provide comfort that the IT activities required to run and use a system with integrity are designed and operating effectively. Each activity verifies that key day to day IT management activities (eg: security, IT operations and system changes) are appropriately governed and controlled.

#### Comments:

Documentation relating to the current day activities of IT and Fujitsu system provision adopts and delivers good practise. A formal IT risk assessment has been performed and an IT control framework produced and independently assured, under a recognised assurance standard (ISAE 3402).

A number of third party systems are used by Horizon on a day to day operational basis. Documentation indicates that such data flows do not significantly impact the Horizon Features and the Audit Store.

The Audit Store's integrity is preserved by a system of “digital seals”. This feature underpins the ability to confirm the completeness and accuracy of data kept in the Audit Store, and that of subsequent reports generated from the Audit Store.

### 3. Assurance over system usage

#### Purpose:

This assurance aims to provide comfort that Horizon Features are designed appropriately, in place and operating as intended.

#### Comments:

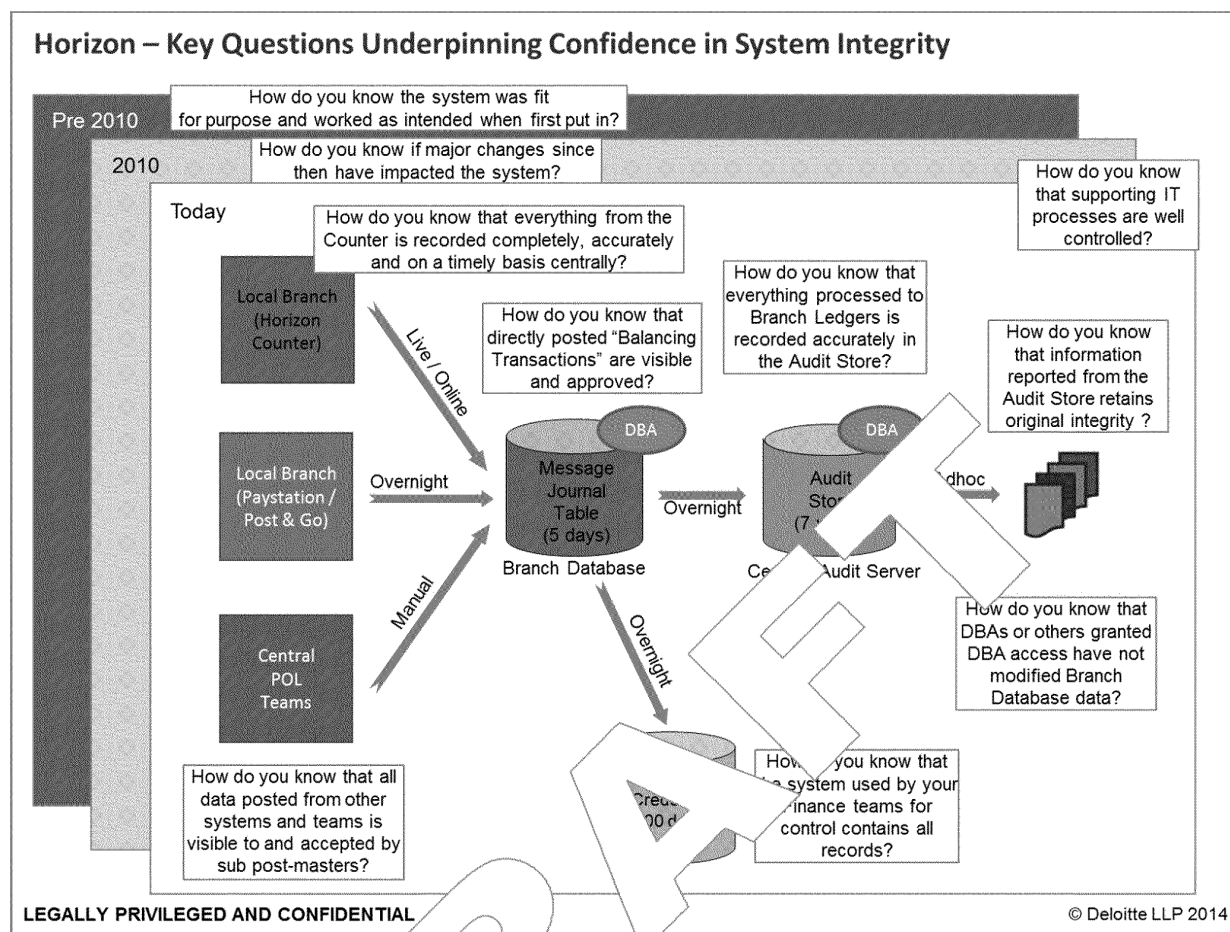
Detailed documentation relating to the system has been produced, largely by technical professionals familiar with the design of Horizon. Based on the documents we have seen, this work is extensive and contains information relating to relevant Horizon Features. An assessment from a risk perspective would be required to fully assure the completeness of these features.

Verbal confirmation has been received that day-to-day processes are designed to maintain sub-postmaster ownership and visibility of their Branch ledgers. As with similar, non-regulated organisations these wider business use activities which relate to the integrity of processing are not always documented and maintained in an up-to-date form.

We noted that both the verbally described and the documented processes do not appear to have been independently validated or tested. Post Office is therefore reliant on Horizon Features operating as described (an example was identified in our work where a control was not in place as understood). Further assurance in this area could be provided by testing the Horizon Features, outlined in the final report.

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## Appendix 1



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